Stephens, Stan
A proposal to equalize school funding in Montana

A Proposal to Equalize School Funding in Montana

Positions and Recommendations Submitted to the June Special Session of the 51st Legislature

May 1989

Stan Stephens, Governor

A Proposal to Equalize School Funding in Montana

Contents

I. INTRODUCTION

I submit the following proposals to the Special Session of the 51st Montana Legislature to respond to the mandate of the Montana Supreme Court that our system of funding a basic quality education contains unacceptable inequities.

I stress first my personal commitment to the constitutional guarantee that the young people of Montana have equal access to a quality, basic education. While reform is necessary, I further emphasize my belief that Montana has a quality educational system developed over the years by dedicated administrators and teachers and the commitment of parents and communities. We intend to maintain that quality.

The decisions faced in school equalization are difficult, and there are no easy solutions. I hope that the legislature will give its most serious consideration to the three key features of this proposal.

1. A Framework for Equalization. This provides an overall framework in which the equalization debate and dialogue can occur. Allowing for divergent views, I believe we can agree on this framework as a common frame of reference.

2. An Equalization Proposal. Within the above framework, I am offering specific legislation to support the proposal. This plan is structured to meet the Court mandate with or without new sources of revenue.

3. An Enhanced Foundation Program. I strongly support an enhanced foundation program, embodying both a greater percentage of state support for education and for worthy school programs, but we must agree on a new and continuing source of revenue. I am also submitting a proposal for such a program.

Any equalization proposal will mean difficult adjustments for some school districts. The inequities caused by our heavy reliance on local property taxes, as depicted in Figure 2, make this unavoidable.

The basic assumptions on which my proposals are based include the following:

- We must ensure adequate funding for our schools in a tight fiscal climate.
- Short term solutions are not acceptable. Stability for school funding over the long term is essential.
- Any proposal(s) must be flexible enough to accommodate alternate solutions.
- A plan to meet the Court mandate must not be held hostage by failure to reach agreement on a new revenue source(s).
- A funding solution must provide for reasonable growth in the cost of education over time.
- An increase in income taxes is an unacceptable means of generating new revenue.
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Foundation Appropriation

I will offer legislation to fund the foundation schedules at current levels for the upcoming biennium, regardless of other aspects of school equalization.

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These areas logically should be addressed as a part of overall school funding reform. I will, therefore, propose legislation to address these two critical issues.

State School Funding for FY 1990

I have reexamined the issue of additional school funding for fiscal year 1990 and the lack of a foundation program increase for inflation since 1986. I am still evaluating a one-time, 2% increase over and above existing schedules for FY90. I am sympathetic to this need. However, at the time of printing this proposal I am advised that projected state revenues are not adequate to do this.

I submit the above proposals because I believe they represent well-researched solutions. I remain open to reasonable modifications or other ideas. I will promote and support my proposals, but I firmly intend to work cooperatively with the legislature to do what is necessary to resolve this critical issue.

II. PROPOSED EQUALIZATION FRAMEWORK

The District Court's ruling that Montana's method of funding K-12 public education is unconstitutional and the Montana Supreme Court's affirmation of that ruling were based on two major points:

1. The state funds approximately 60% of the cost of education; on a statewide average, the other 40% of school budgets are funded by local property taxes.

2. School districts have unequal abilities to raise their local funds because of significant variations in district taxable values per student. (An extreme example is a school district where one mill raises 32 times more dollars per student than another district.)

The following proposal addresses both points in achieving equalization. It creates greater equity in the effective taxable value per student among the school districts and also raises the amount of money the state guarantees for each student, thereby reducing reliance on local property taxes for schools.

The Equalization Framework

The proposed system addresses both facets of equalization. The first is to equalize tax wealth at the local level; the second is to increase the state share of the foundation program.

A school district's total taxable value is made up of several components: real property; centrally assessed utility property; net and gross proceeds from minerals, oil, gas and coal; industrial machinery, etc. The major classes of property which largely create the tax wealth disparities—power plants, oil field developments, railroads, power transmission, product pipelines, airlines, industrial equipment—generally have statewide implications as well as local importance. There is a common sense justification for localities to reap a reasonable benefit for accommodating and/or promoting such development. There is also strong justification for a sharing of this property wealth between the local school districts where the property is located and the entire state's school system. The framework provides for this.

The plan anticipates an increase in the statewide school levy to generate additional funds to support higher foundation program schedules.

Figure 1 outlines the basic framework of the proposal.

What the Framework Does

- The plan shares some of the highly concentrated property wealth located in particular school districts with the entire state's school system. This answers the Court's issue #2 by creating substantially more equalized school district effective taxable values per student.

- Sharing these tax bases at an 80% state/20% local division generates about $60 million per year to fund higher foundation program schedules. Combined with $44 million per year raised from the higher statewide school levy, $8 million from vehicle fees and approximately $10 million from a portion of PL-874 revenues, state equalization 87% could achieve ~~88%~~ of the 87-88 base year's combined school expenditures for the general fund, retirement, and insurance. This addresses issue #1 raised by the Court. Different state-local sharing of these taxes would obviously change these figures.

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- The equalization framework acknowledges the local economic impact of highly concentrated property wealth. It leaves a portion of its effective taxable value in the local school tax base, along with 100% of the taxable value of more conventional real property.

- The proposal, unlike SB 203 of the regular session, addresses and makes improvements on the tax wealth disparity problem.

What the Framework Does Not Do

- The plan does not change in any way the tax bases of local non-school taxing jurisdictions (city and county governments, etc.). The plan's new aspects of school equalization only change the state's determination of school aid.

- The plan will not change the taxable value which backs bonded indebtedness of school districts. This aspect of school funding, and its equalization, will be studied during the interim.

- The total school taxes — state plus local — paid by the extractive industries will not be significantly changed. Other changes in their tax treatment will be made to leave them in approximately revenue-neutral circumstances.

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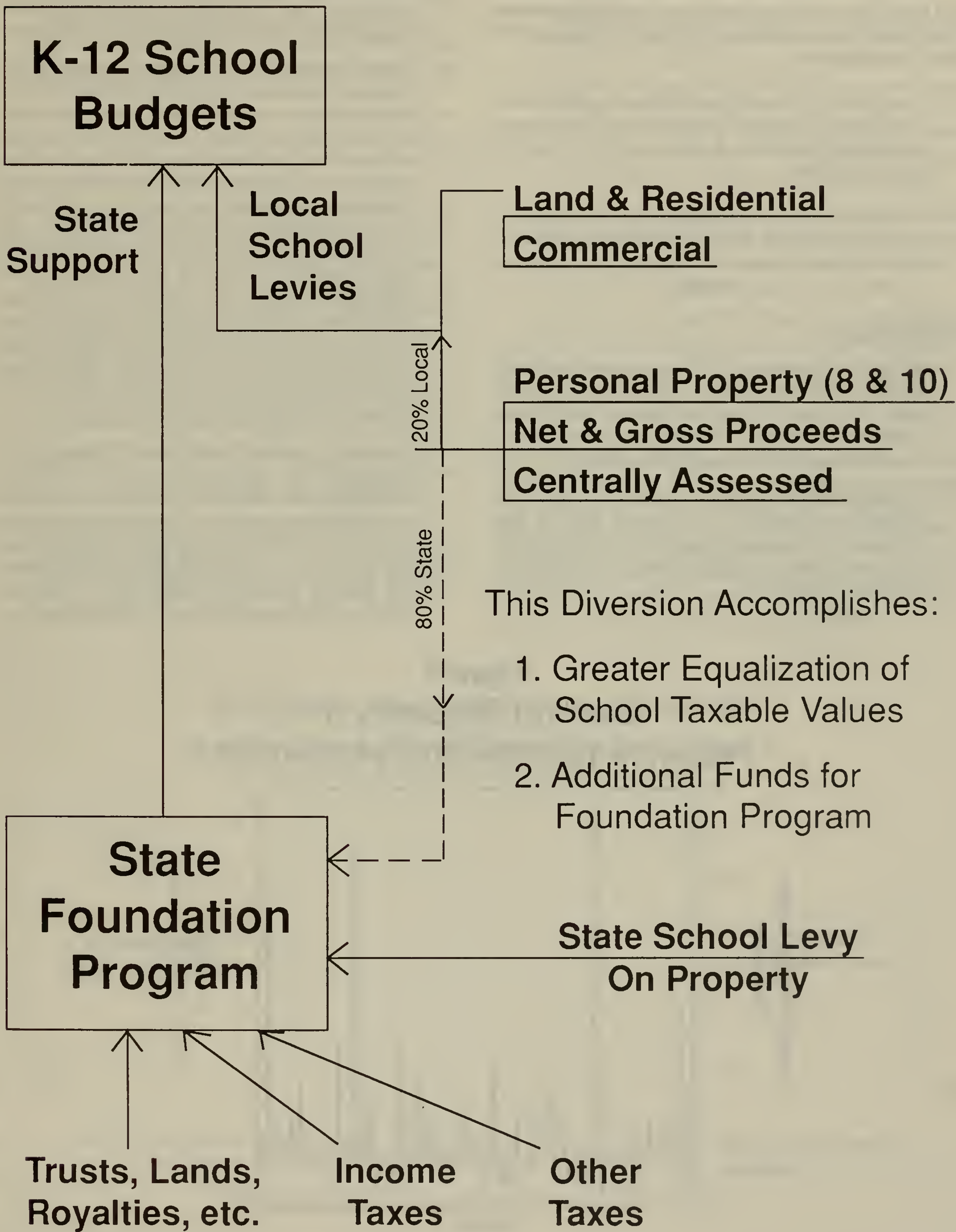

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1) It will raise the state's foundation program schedule amounts by more than 40%, thus substantially increasing the share of school costs covered by state schedules.

2) It cuts school district property tax wealth disparities by about half, thereby substantially equalizing a district's ability to raise the local components of total school budgets.

Key Provisions

- Simplify Fund Structure. We propose combining schools' present general, retirement and insurance funds into a single new general fund which receives per student state support. Retirement and insurance levies would be abolished.
- Allow Levy for Unusual Retirement Costs. If a district's retirement costs exceed 10% of the schedule amount, we propose the establishment of a mandatory local retirement levy to fund retirement benefits.
- Increase Mandatory Levy. The present 45-mill mandatory and 10-mill permissive levies will be changed to an 85-mill statewide mandatory levy.
- Reduce Impact of Disparities in Property Tax Wealth. Foundation program payments from the state to the school districts will be adjusted by 80% of the local school taxes paid on centrally assessed property, mineral production and certain forms of personal property. This adjustment produces an effective taxable value for school districts which tends to equalize each district's ability to raise its local share of school revenues, as shown in Figures 2, 3 and 4. It also effectively diverts 80% of local school taxes paid on this property to the foundation program, thereby providing revenue to finance higher schedule amounts. The remaining 20% will remain in the local districts. Appendix B provides a more detailed explanation of this feature of the proposal.
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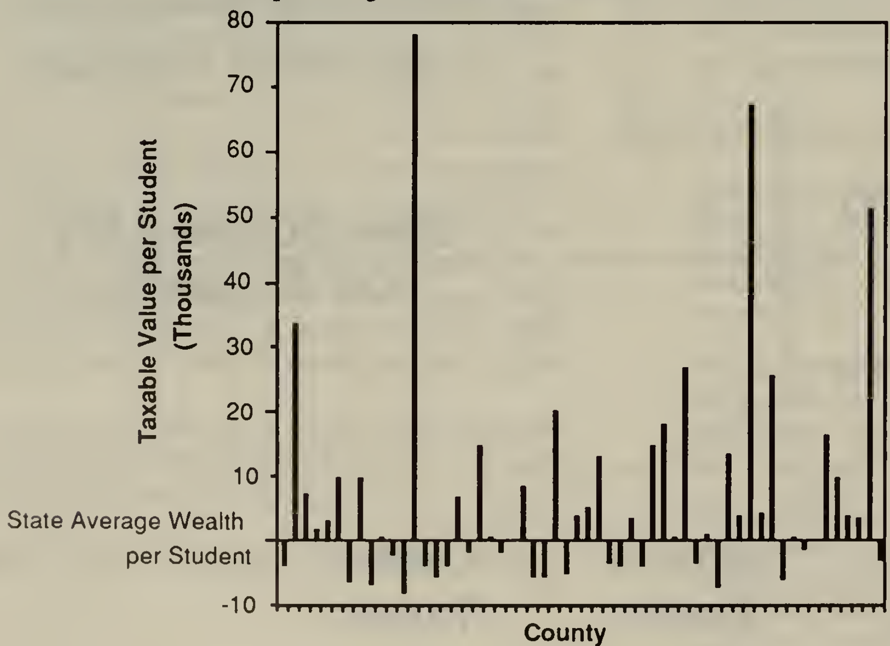

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- Impose Spending Caps. Because the state is now obligated by the Court decision to provide, through equalization, a very large percentage of the amount spent for education, spending caps must be created to ensure that approximate equalization is maintained. We propose the following caps for the 1990-91 school year: A school's 90-91 combined general fund budget (old general fund plus retirement plus insurance) must not exceed the greater of: a) 104% of its 89-90 combined budget for these categories, or b) 120% of the foundation program schedule amount with caps based on per ANB amounts.

- Provide Allowance for Inflation. The caps described above allow for some inflation-driven growth in school budgets, even for so-called "high spending" schools. The new equalization formula provides strong financial incentives for most high spending districts to monitor their spending, so slightly liberalized caps in these cases do not seem unreasonable.

- Mitigate Changes in Current Tax Load on the Resource Industries. The higher mandatory school levy, unless modified, will result in unacceptable increases in taxes paid by mineral producers. We must take into account current and future job markets for Montanans, and therefore we propose changes in non-property mineral taxes in order to mitigate this potential impact.

- Address Special Situations. We will offer a series of technical provisions designed to deal with unusual impacts on certain school districts resulting from the proposal.

The above proposal, if applied to the 87-88 base year state school expenditures, would have resulted in $104 million increase in the foundation program's schedule totals from $279 million to $383 million. This would represent 85% of the total base year school expenditures in the categories of general fund plus retirement plus insurance. Schedules about 4% higher could be funded if part of PL-874 monies and vehicle tax revenues were included. It should be noted that for the 87-88 base year, schools accounting for 70% of the state's total students would have needed fewer total property tax mills to reach the same budgets, while schools accounting for 30% of enrollment would have needed additional mills to reach their budgets.

Figure 3

Property Tax Wealth Per Student Under Proposed Equalization Plan *

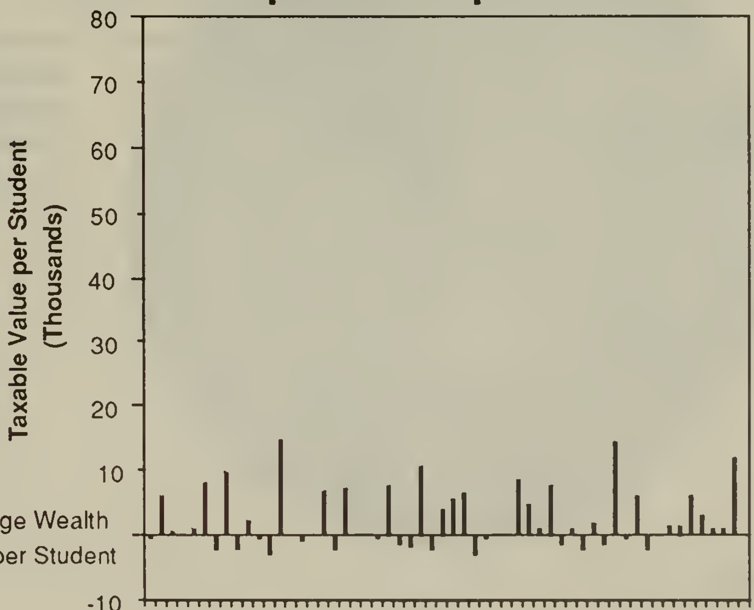

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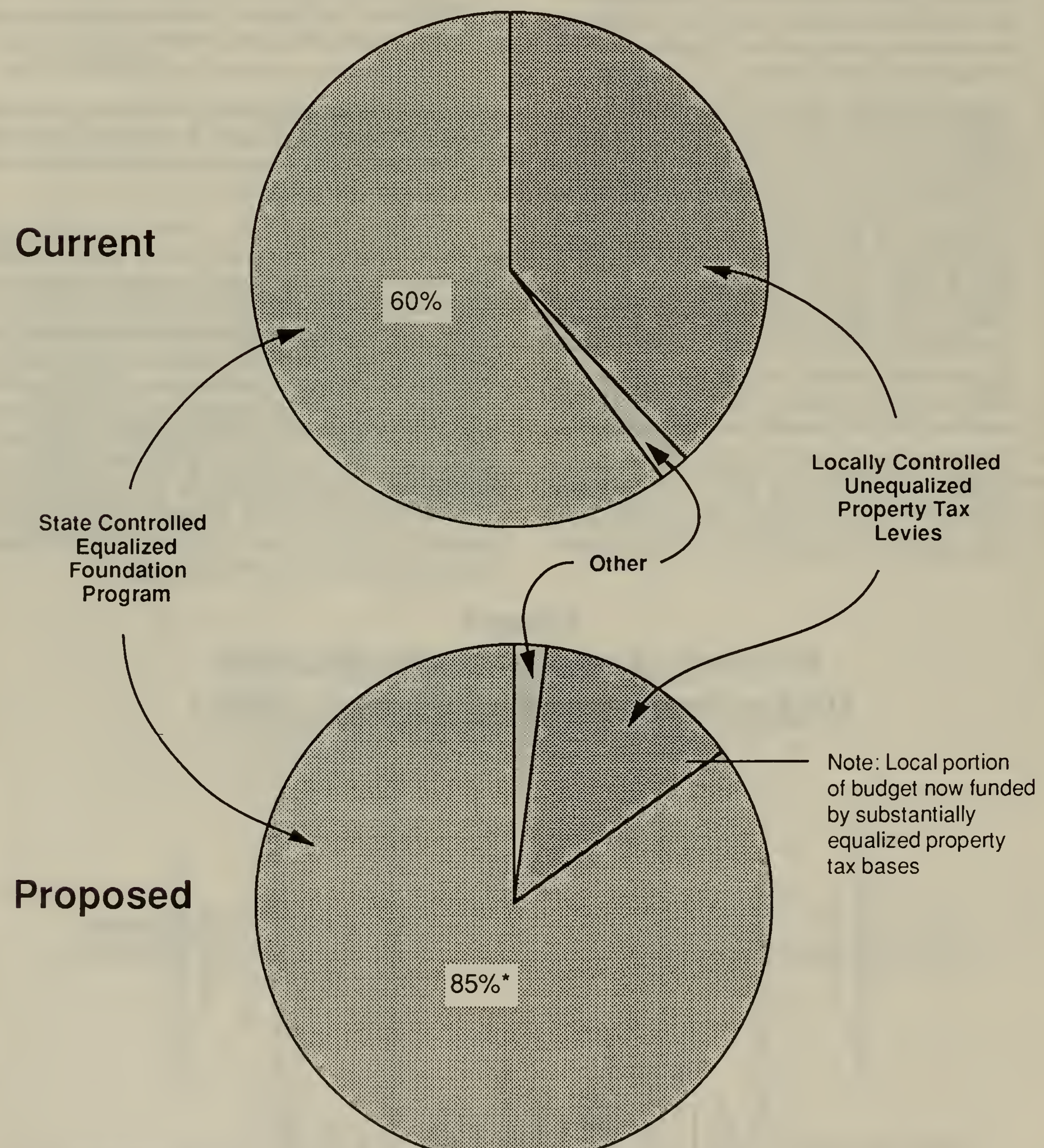
Figure 4

Sources of School Funding
(General Fund, Retirement, and Insurance)



* 87% with $15 million of
PL 874 funds also equalized.

IV. ENHANCED FOUNDATION PROGRAM

The third part of my proposal to the legislature calls for an enhanced foundation program. This proposal addresses the dual goals of greater state support for education and further property tax relief. This program depends on increased state revenue.

Enhancement can be accomplished from different revenue sources and in differing degrees, depending upon the amount of revenue. I continue to oppose increased income taxes or property taxes. In fact, my initiatives dealing with personal property taxes and general tax reform propose to lessen the state's reliance on property and income taxes.

I therefore continue to support a general sales tax as an essential ingredient to an enhanced foundation program. The specifics of my sales tax proposal are found in the package I am submitting on general tax reform, but two points are key: (1) To address the potentially regressive features of a sales tax, food, medicine and services are excluded; and a portion of the revenue is earmarked for an income tax reform package which will remove an estimated 60,000 low income households from the tax rolls. (2) A sizeable part of the revenue — that going to the foundation program — will offset local real property taxes.

<u>A sales tax must not rest upon the backs of those least able to pay taxes, and it must not be a new tax simply added to already high taxes in other areas</u>. If we cannot address a sales tax in this context, the people of Montana will not accept it.

<u>Specific Proposals</u>

I offer the following specifics to achieve an enhanced foundation program:

- A 3% general sales tax — with exemptions, and as part of an overall tax reform package — to provide revenue for enhancement.

- $120 million of the $206 estimated revenue to be earmarked for the foundation program and to directly offset revenue from local property taxes.

- $6 million to fund accountability proposals being proposed as a logical part of an enhanced foundation program.

The $120 million is earmarked for property tax relief through greater state equalization and higher state foundation schedules.

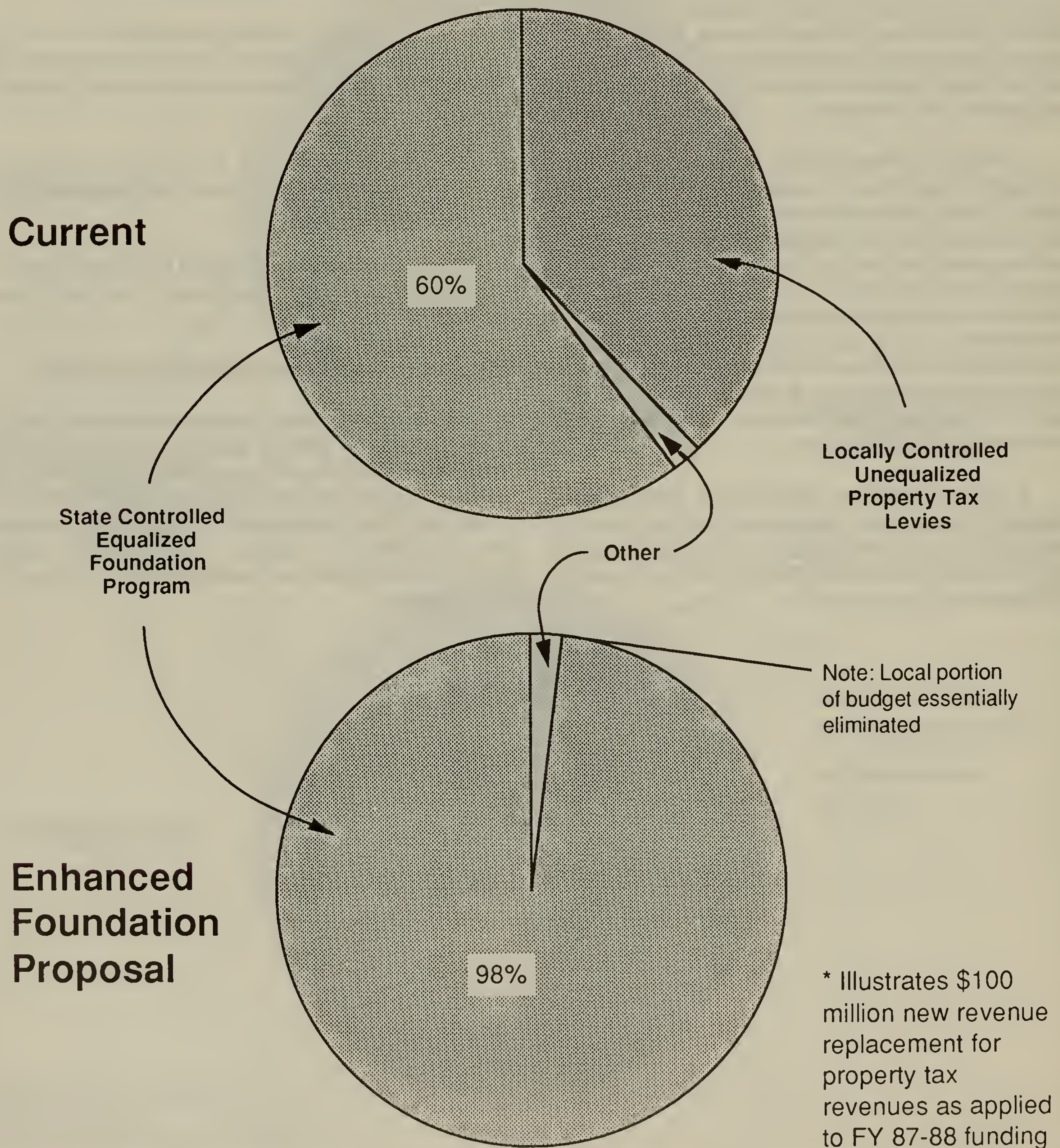
<u>What the Enhanced Program Would Accomplish</u>

This proposal virtually equalizes state funding for public schools at 100% of general fund expenditures and eliminates reliance on local property taxes for this portion of school budgets. Figure 5 depicts the 1987-88 school year if we had replaced $100 million in property taxes with sales tax revenue. A similar result would occur if $120 million were added to the 90-91 foundation program.

Figure 5

School Funding Under Enhanced Foundation Program: An Example *

(General Fund, Retirement, and Insurance)



* Illustrates $100 million new revenue replacement for property tax revenues as applied to FY 87-88 funding

V. CONCLUSION

I remain open to new ideas, suggestions and different proposals as we approach this critical special session. I submit the above proposals in the belief that they represent a solid framework for discussion and the most promising approach for education in Montana. I ask legislators to give the proposals serious consideration.

ERRATA

Page 2, right hand column, second paragraph, line 8. Sentence should refer to 87% of the 87-88 base year's combined school expenditures rather than 88%.

Page 6, figure 4. The note on the bottom of the chart should read: "87% with $10 million of PL 874 funds also equalized."

APPENDIX A

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

STAN STEPHENS
GOVERNOR

May 18, 1989

TO: Members of the Montana State Senate
Members of the Montana House of Representatives
Members of the Montana Supreme Court
Montana Elected Officials

GOVERNOR'S CALL TO CONVENE THE MONTANA LEGISLATURE INTO SPECIAL SESSION

By the power vested in me in Section 6, Article V and Section 11, Article VI of the Montana Constitution and such other applicable laws, I hereby call the Montana Legislature to convene into special session commencing at 8:00 a.m. Monday, June 19, 1989.

I have determined that it is in the public interest that the legislature convene into special session. This call is primarily to resolve the Court ordered mandate contained in <u>Helena Elementary School District Number One, et al. v. State of Montana, et al.</u>, Cause No. 88-381. The call of the special session is limited to the following issues:

1. Equalizing school funding as mandated by the ruling of the Montana Supreme Court; establishing and appropriating the ongoing source of funding for public elementary and secondary schools, and making the necessary modifications to Initiative 105.

2. Addressing matters related to academic and fiscal accountability in Montana's elementary and secondary public education system.

3. Reducing and reforming Montana's income taxes and property taxes.

4. Referring constitutional amendments to the people to limit the growth of state spending and to require a vote of the people of Montana on proposed increases in a statewide sales

tax; and amending current statutes to allow placement of these and other issues on the ballot in 1989.

5. Addressing new and ongoing revenue sources to replace part of property taxes in the funding of public elementary and secondary education.

6. Appropriating and/or authorizing such necessary revenue for public elementary and secondary schools to maintain the elementary and secondary maximum budget schedules as provided in sections 20-9-318, 20-9-319, 20-9-320, 20-9-321 and such other applicable statutes for school fiscal year 1989-1990 and thereafter.

7. Addressing the State of Montana's compliance with the United States Supreme Court decision in Davis v. Michigan, 57 L. Week 4389 (March 28, 1989) regarding State taxation of pensions.

Respectfully submitted,

STAN STEPHENS
Governor

APPENDIX B
OPERATIONAL ASPECTS OF THE EQUALIZATION PROPOSAL

At the local level, various locally determined school levies and the mandatory state school levy still are assessed on all taxable values of all classes of property. All revenues are retained and credited to appropriate school funds.*

All equalization is done at the state level in the determination of equalization aid to school districts. The equalization formula would be:

State Aid = Schedule Amount

$$\text{Minus: } \left[\frac{52 \text{ or } 33}{1000}\right] \times \left[\begin{array}{l}\text{Total District}\\ \text{Taxable Value}\end{array}\right]$$

$$\text{Minus: } \left[\frac{\text{Total of Local Levied Mills}}{1000}\right] \times \left[\begin{array}{c}\text{80\% of the Taxable}\\ \text{Value of Classes 1, 2,}\\ \text{5, 7, 8, 10, 11, 15, \& 17}\end{array}\right]$$

The "52 or 33" in the above formula refers to an elementary or high school's share of the statewide 85-mill levy. The last adjustment in the formula effectively shares 80% of certain classes of property with the entire state school system.

In determining local school levies, schools would assume only 20% of the taxable value of these shared classes of property in determining their net taxable value for raising money from local levies. For example, consider a school district with taxable values:

	Total Taxable Value		Proposal's Effective Taxable Value
Non-Shared Classes**	$1.5 million x 100%	=	$1.5 million
Shared Classes	$1.0 million x 20%	=	0.2 million
Total Taxable Value	$2.5 million		$1.7 million

If the district wanted to raise $34,000 for one of its funds, it would assess 20 mills against the adjusted taxable value (20/1000 x $1.7 million = $34,000). However, the district actually would collect $50,000 on its full taxable value since the 20 mills would be applied against the total taxable value (20/1000 x $2.5 million = $50,000). Through the equalization formula the state would reduce its state aid to the district by $16,000 (20/1000 x ($2.5 million - $1.7 million) = $16,000).

The total of these reductions in state aid, due to the sharing of tax bases of the 545 school districts, produces the so-called "diversion" of revenues to the foundation program and permits higher foundation schedules.

The "total of local levied mills" in the equalization formula would not include debt and capital levies. It would be inappropriate to alter the tax base available for paying off existing bonded debt until the legislature and executive have had time to study this aspect of school finance.

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* Districts in which 85 mills produce more than the school schedule amount would remit the excess to the state foundation program.

** Non-shared classes are 3, 4, 6, 9, 12, 13, 14, 16, 18, 19 and 20. Shared classes are 1, 2, 5, 7, 8, 10, 11, 15 and 17.

1200 copies of this public document were published at an estimated cost of 75¢ per copy, for a total cost of $900.00, which includes $900.00 for printing and $0.00 for distribution.

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Noted in Text

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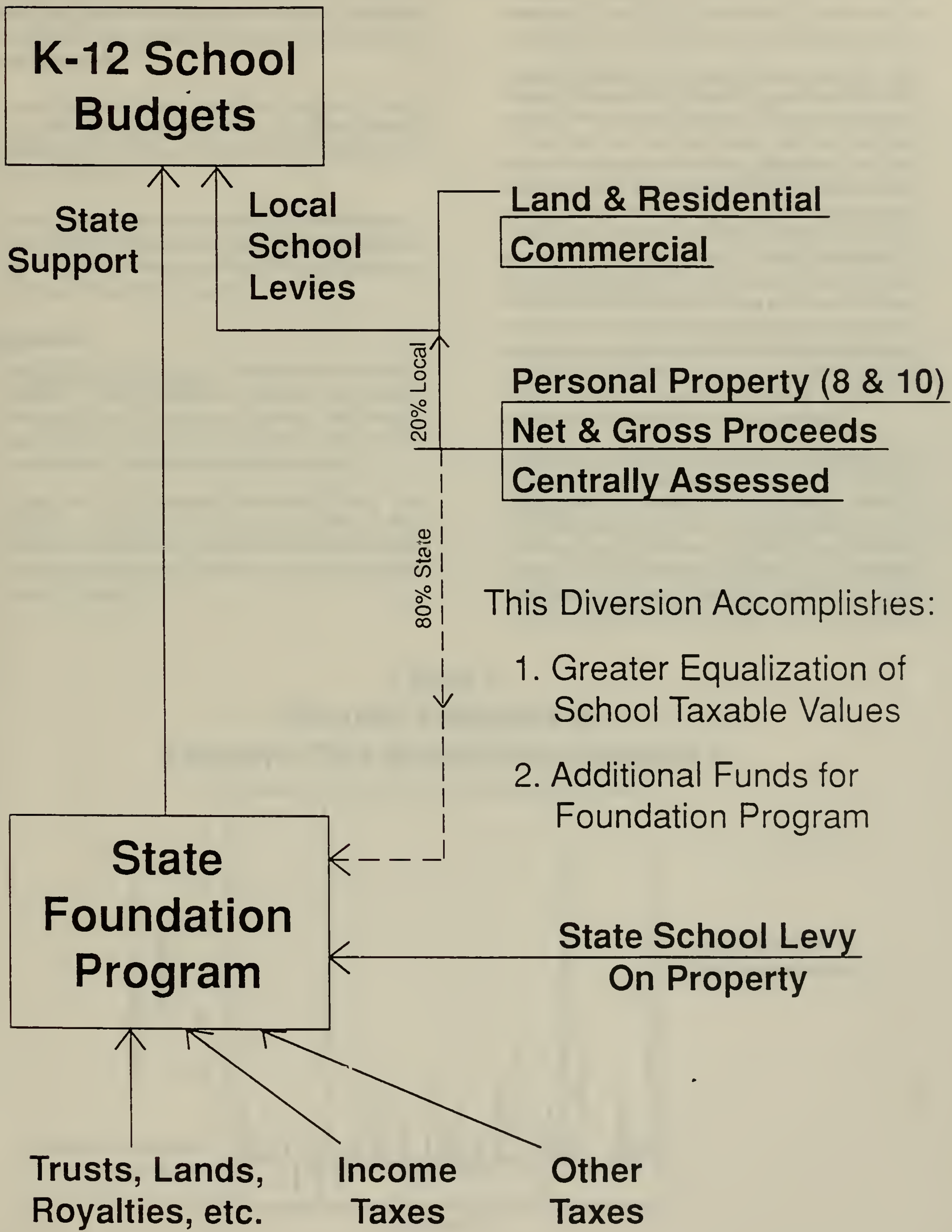

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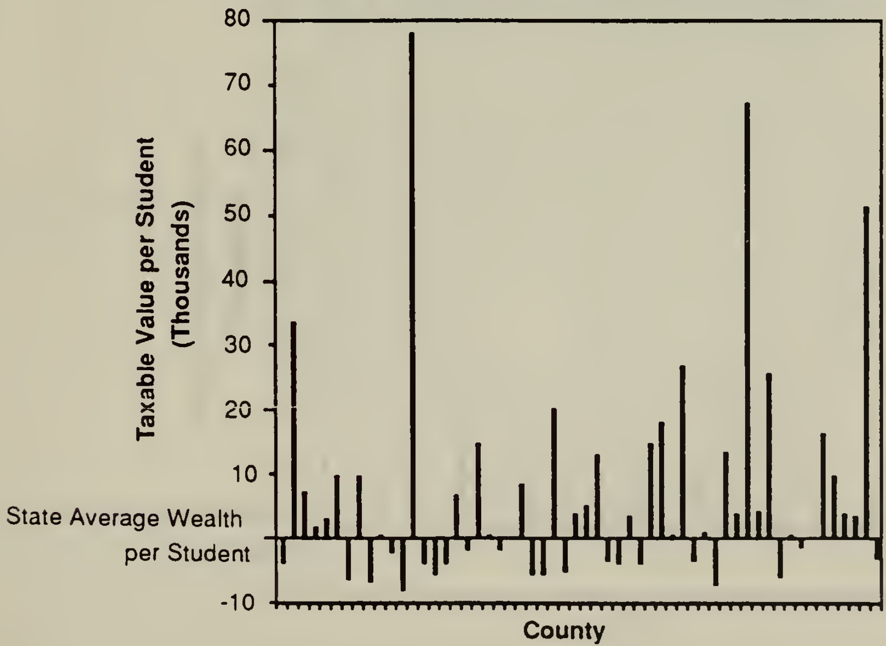

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- Impose Spending Caps. Because the state is now obligated by the Court decision to provide, through equalization, a very large percentage of the amount spent for education, spending caps must be created to ensure that approximate equalization is maintained. We propose the following caps for the 1990-91 school year: A school's 90-91 combined general fund budget (old general fund plus retirement plus insurance) must not exceed the greater of: a) 104% of its 89-90 combined budget for these categories, or b) 120% of the foundation program schedule amount with caps based on per ANB amounts.

- Provide Allowance for Inflation. The caps described above allow for some inflation-driven growth in school budgets, even for so-called "high spending" schools. The new equalization formula provides strong financial incentives for most high spending districts to monitor their spending, so slightly liberalized caps in these cases do not seem unreasonable.

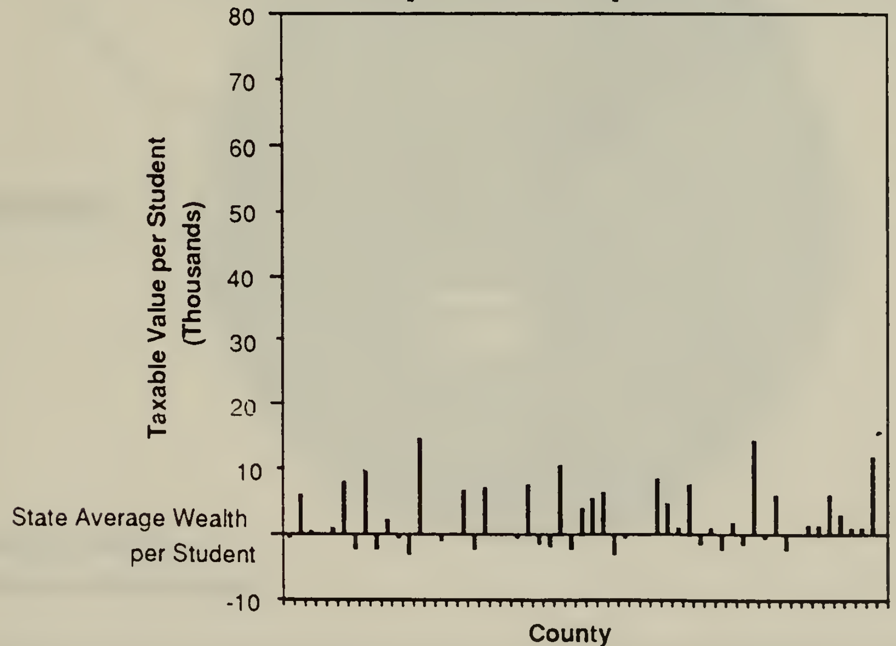
- Mitigate Changes in Current Tax Load on the Resource Industries. The higher mandatory school levy, unless modified, will result in unacceptable increases in taxes paid by mineral producers. We must take into account current and future job markets for Montanans, and therefore we propose changes in non-property mineral taxes in order to mitigate this potential impact.

- Address Special Situations. We will offer a series of technical provisions designed to deal with unusual impacts on certain school districts resulting from the proposal.

The above proposal, if applied to the 87-88 base year state school expenditures, would have resulted in $104 million increase in the foundation program's schedule totals from $279 million to $383 million. This would represent 85% of the total base year school expenditures in the categories of general fund plus retirement plus insurance. Schedules about 4% higher could be funded if part of PL-874 monies and vehicle tax revenues were included. It should be noted that for the 87-88 base year, schools accounting for 70% of the state's total students would have needed fewer total property tax mills to reach the same budgets, while schools accounting for 30% of enrollment would have needed additional mills to reach their budgets.

Figure 3

Property Tax Wealth Per Student Under Proposed Equalization Plan *

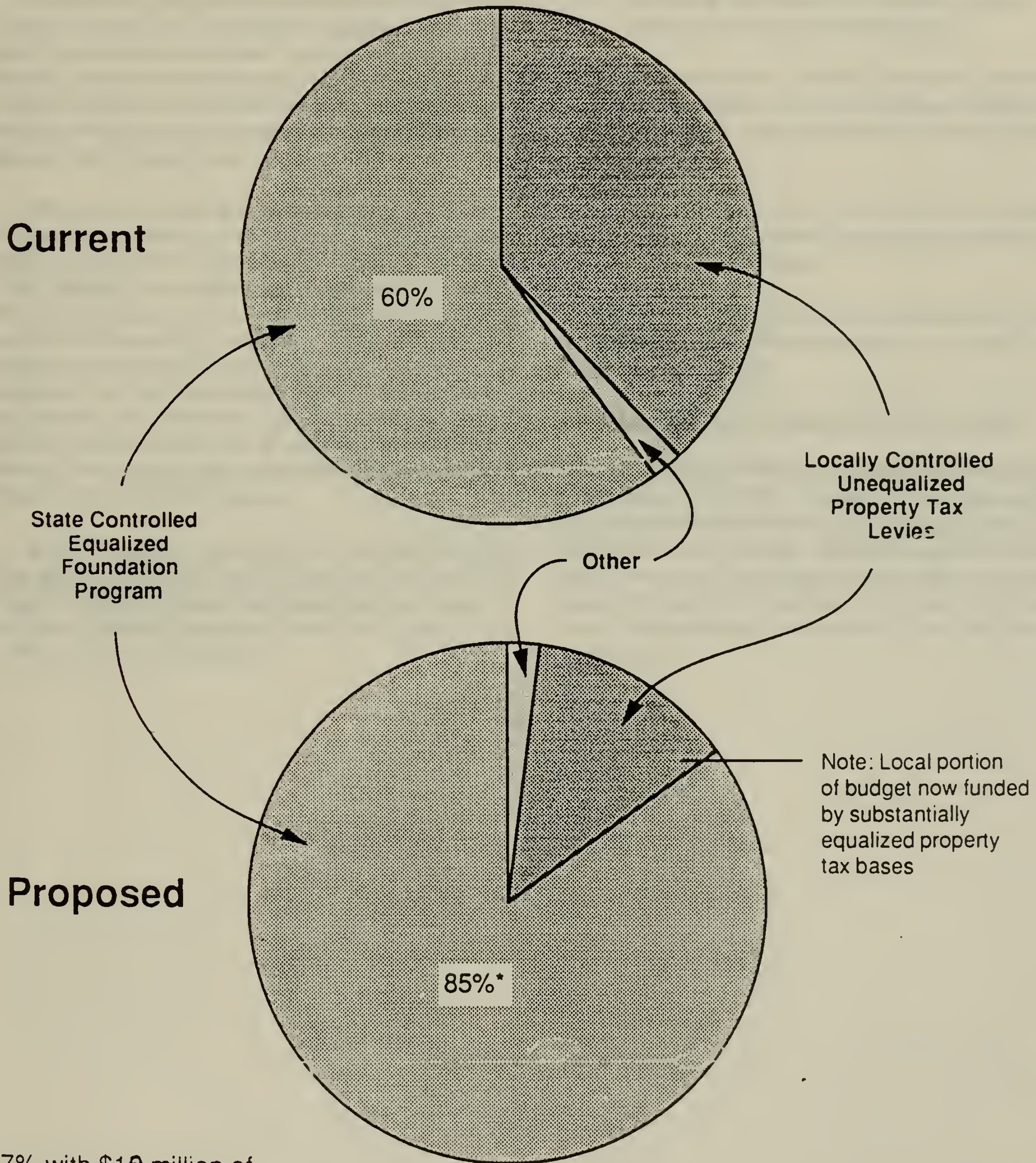


* Chart based on 1988 taxable values

Figure 4

Sources of School Funding

(General Fund, Retirement, and Insurance)



* 87% with $10 million of
PL 874 funds also equalized.

IV. ENHANCED FOUNDATION PROGRAM

The third part of my proposal to the legislature calls for an enhanced foundation program. This proposal addresses the dual goals of greater state support for education and further property tax relief. This program depends on increased state revenue.

Enhancement can be accomplished from different revenue sources and in differing degrees, depending upon the amount of revenue. I continue to oppose increased income taxes or property taxes. In fact, my initiatives dealing with personal property taxes and general tax reform propose to lessen the state's reliance on property and income taxes.

I therefore continue to support a general sales tax as an essential ingredient to an enhanced foundation program. The specifics of my sales tax proposal are found in the package I am submitting on general tax reform, but two points are key: (1) To address the potentially regressive features of a sales tax, food, medicine and services are excluded; and a portion of the revenue is earmarked for an income tax reform package which will remove an estimated 60,000 low income households from the tax rolls. (2) A sizeable part of the revenue — that going to the foundation program — will offset local real property taxes.

<u>A sales tax must not rest upon the backs of those least able to pay taxes, and it must not be a new tax simply added to already high taxes in other areas.</u> If we cannot address a sales tax in this context, the people of Montana will not accept it.

<u>Specific Proposals</u>

I offer the following specifics to achieve an enhanced foundation program:

- A 3% general sales tax — with exemptions, and as part of an overall tax reform package — to provide revenue for enhancement.
- $120 million of the $206 estimated revenue to be earmarked for the foundation program and to directly offset revenue from local property taxes.
- $6 million to fund accountability proposals being proposed as a logical part of an enhanced foundation program.

The $120 million is earmarked for property tax relief through greater state equalization and higher state foundation schedules.

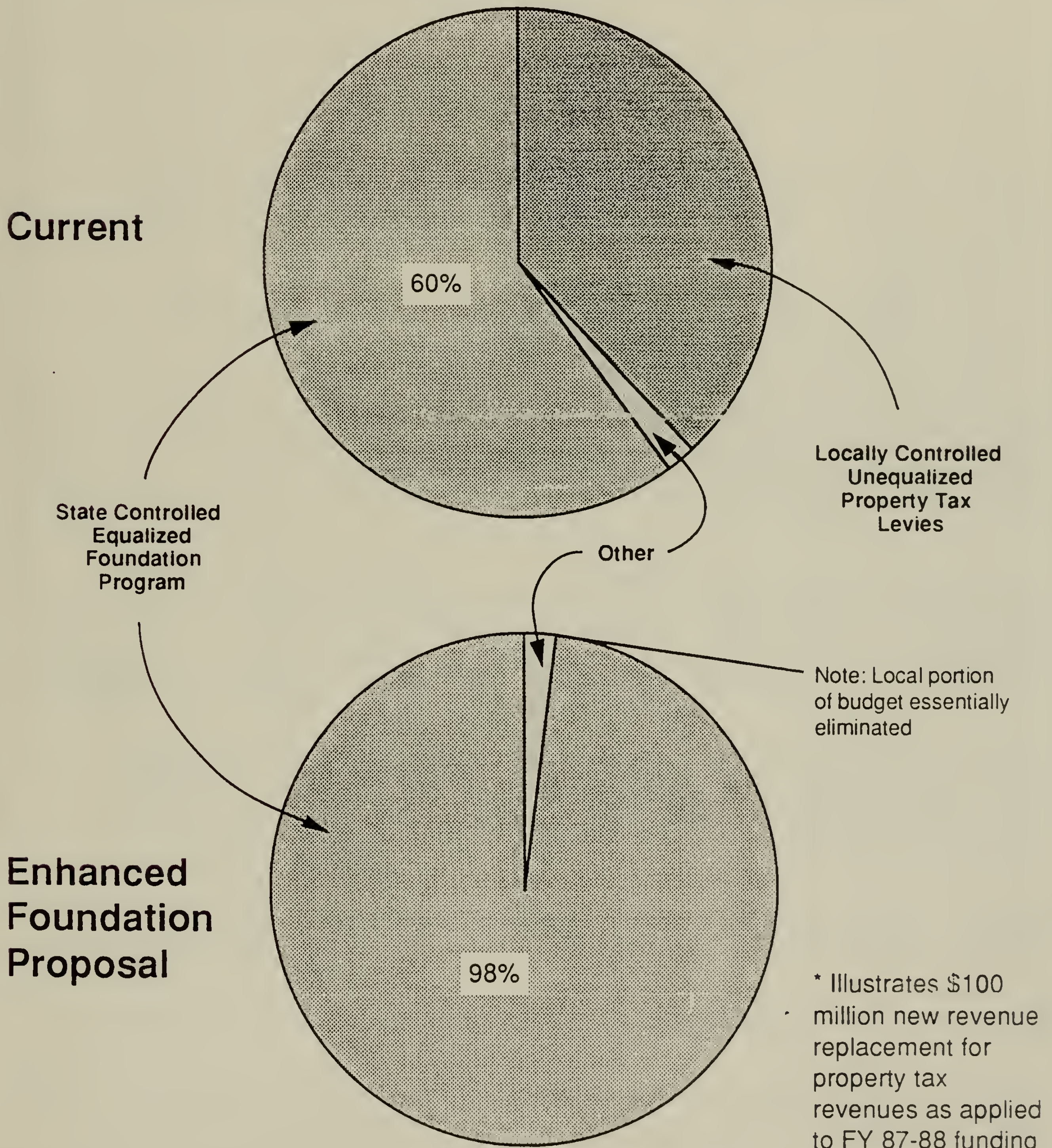
<u>What the Enhanced Program Would Accomplish</u>

This proposal virtually equalizes state funding for public schools at 100% of general fund expenditures and eliminates reliance on local property taxes for this portion of school budgets. Figure 5 depicts the 1987-88 school year if we had replaced $100 million in property taxes with sales tax revenue. A similar result would occur if $120 million were added to the 90-91 foundation program.

Figure 5

School Funding Under Enhanced Foundation Program: An Example *

(General Fund, Retirement, and Insurance)



V. CONCLUSION

I remain open to new ideas, suggestions and different proposals as we approach this critical special session. I submit the above proposals in the belief that they represent a solid framework for discussion and the most promising approach for education in Montana. I ask legislators to give the proposals serious consideration.

APPENDIX A

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

STAN STEPHENS
GOVERNOR

May 18, 1989

TO: Members of the Montana State Senate
Members of the Montana House of Representatives
Members of the Montana Supreme Court
Montana Elected Officials

GOVERNOR'S CALL TO CONVENE THE MONTANA LEGISLATURE INTO SPECIAL SESSION

By the power vested in me in Section 6, Article V and Section 11, Article VI of the Montana Constitution and such other applicable laws, I hereby call the Montana Legislature to convene into special session commencing at 8:00 a.m. Monday, June 19, 1989.

I have determined that it is in the public interest that the legislature convene into special session. This call is primarily to resolve the Court ordered mandate contained in Helena Elementary School District Number One, et al. v. State of Montana, et al., Cause No. 88-381. The call of the special session is limited to the following issues:

1. Equalizing school funding as mandated by the ruling of the Montana Supreme Court; establishing and appropriating the ongoing source of funding for public elementary and secondary schools, and making the necessary modifications to Initiative 105.

2. Addressing matters related to academic and fiscal accountability in Montana's elementary and secondary public education system.

3. Reducing and reforming Montana's income taxes and property taxes.

4. Referring constitutional amendments to the people to limit the growth of state spending and to require a vote of the people of Montana on proposed increases in a statewide sales

Members of the Montana State Senate
Members of the Montana House of Representatives
Members of the Montana Supreme Court
Montana Elected Officials
May 18, 1989
Page Two

tax; and amending current statutes to allow placement of these and other issues on the ballot in 1989.

5. Addressing new and ongoing revenue sources to replace part of property taxes in the funding of public elementary and secondary education.

6. Appropriating and/or authorizing such necessary revenue for public elementary and secondary schools to maintain the elementary and secondary maximum budget schedules as provided in sections 20-9-318, 20-9-319, 20-9-320, 20-9-321 and such other applicable statutes for school fiscal year 1989-1990 and thereafter.

7. Addressing the State of Montana's compliance with the United States Supreme Court decision in Davis v. Michigan, 57 L. Week 4389 (March 28, 1989) regarding State taxation of pensions.

Respectfully submitted,

STAN STEPHENS
Governor

APPENDIX B
OPERATIONAL ASPECTS OF THE EQUALIZATION PROPOSAL

At the local level, various locally determined school levies and the mandatory state school levy still are assessed on all taxable values of all classes of property. All revenues are retained and credited to appropriate school funds.*

All equalization is done at the state level in the determination of equalization aid to school districts. The equalization formula would be:

State Aid = Schedule Amount

$$\text{Minus: } \left[\frac{52 \text{ or } 33}{1000}\right] \times \left[\begin{array}{l}\text{Total District}\\ \text{Taxable Value}\end{array}\right]$$

$$\text{Minus: } \left[\frac{\text{Total of Local Levied Mills}}{1000}\right] \times \left[\begin{array}{c}\text{80\% of the Taxable}\\ \text{Value of Classes 1, 2,}\\ \text{5, 7, 8, 10, 11, 15, \& 17}\end{array}\right]$$

The "52 or 33" in the above formula refers to an elementary or high school's share of the statewide 85-mill levy. The last adjustment in the formula effectively shares 80% of certain classes of property with the entire state school system.

In determining local school levies, schools would assume only 20% of the taxable value of these shared classes of property in determining their net taxable value for raising money from local levies. For example, consider a school district with taxable values:

	Total Taxable Value		Proposal's Effective Taxable Value
Non-Shared Classes**	$1.5 million x 100%	=	$1.5 million
Shared Classes	$1.0 million x 20%	=	0.2 million
Total Taxable Value	$2.5 million		$1.7 million

If the district wanted to raise $34,000 for one of its funds, it would assess 20 mills against the adjusted taxable value (20/1000 x $1.7 million = $34,000). However, the district actually would collect $50,000 on its full taxable value since the 20 mills would be applied against the total taxable value (20/1000 x $2.5 million = $50,000). Through the equalization formula the state would reduce its state aid to the district by $16,000 (20/1000 x ($2.5 million - $1.7 million) = $16,000).

The total of these reductions in state aid, due to the sharing of tax bases of the 545 school districts, produces the so-called "diversion" of revenues to the foundation program and permits higher foundation schedules.

The "total of local levied mills" in the equalization formula would not include debt and capital levies. It would be inappropriate to alter the tax base available for paying off existing bonded debt until the legislature and executive have had time to study this aspect of school finance.

* Districts in which 85 mills produce more than the school schedule amount would remit the excess to the state foundation program.

** Non-shared classes are 3, 4, 6, 9, 12, 13, 14, 16, 18, 19 and 20. Shared classes are 1, 2, 5, 7, 8, 10, 11, 15 and 17.